

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

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CIEP-01 OMB-01 ABF-01 FS-01 AGR-05 SAM-01 /058 W

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R 271641Z JUL 76

FM AMEMBASSY LISBON

TO SECSTATE WASHDC 7986

C O N F I D E N T I A L LISBON 5049

E.O. 11652: GDS

TAGS: EFIN, PO

SUBJ: PORTUGAL'S 1976 BALANCE OF PAYMENTS PROSPECTS

REF: (A) STATE 179290, (B) STATE 183982

1. BANK OF PORTUGAL HAS PROVIDED FOLLOWING DATA ON ITS
FOREIGN RESERVE POSITION AS OF JUNE 30, 1976:

	MILLION ESCUDOS	MILLION DOLLARS 1
GROSS RESERVES	40,254	1,311.2
FOREIGN EXCHANGE AND		
GOLD 2	39,000	1,270.3
OTHERS	1,254	40.8
LIABILITIES	29,991	976.9
FOREIGN CURRENCY		
LOANS	24,564	800.1
IMF POSITION	5,427	176.4
NET RESERVES	10,263	334.2

FOOTNOTES 1 - CONVERTED BY THE EMBASSY AT U.S. \$1 EQUALS

E30.7, THE EXCHANGE RATE AT END OF JUNE.

FOOTNOTE 2 - VALUED AT 35 SDR PER OUNCE

2. ABOVE DATA INDICATE BANK OF PORTUGAL'S NET RESERVES
FELL SOME \$400 MILLION FROM END OF MARCH TO END OF JUNE,
BUT THEY DO NOT DETAIL COMPOSITION OF ASSETS AND LIA-
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BILITIES. THEY DO, HOWEVER, SUGGEST POTENTIALLY DANGEROUS

LIQUIDITY SQUEEZE PORTUGAL FACED AT THE END OF JUNE. ASSUMING GOLD HOLDINGS CONTINUED AT APPROXIMATELY \$1.13 BILLION (VALUED AT 35 SDR PER OUNCE), WHICH SEEMS HIGHLY LIKELY, BANK OF PORTUGAL HAD ONLY SOME \$180 MILLION IN LIQUID RESERVES. THE BANK'S FOREIGN EXCHANGE HOLDINGS, IN EFFECT, APPARENTLY FELL BY SOME \$175 MILLION DURING THE THREE MONTHS OF APRIL-JUNE, DESPITE HEAVY DRAWINGS AGAINST IMF. RECENT \$250 MILLION GOLD-SECURED LOAN FROM EUROPEAN CENTRAL BANKS, WHICH EVIDENTLY IS NOT INCLUDED IN ABOVE DATA, EASED THIS LIQUIDITY SQUEEZE, BUT ONLY TEMPORARILY.

3. SUBSEQUENT CABLE WILL TRANSMIT EMBASSY'S 1977 BALANCE OF PAYMENTS PROJECTION. BANK OF PORTUGAL HAS PROMISED TO PROVIDE ITS 1977 PROJECTIONS WHEN THEY ARE COMPLETED. EMBASSY HOPES TO BENEFIT FROM THAT DATA BEFORE COMPLETING ITS PROJECTION. WE WILL ALSO ATTEMPT TO OBTAIN INFORMATION REQUESTED REF B.
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